



# CO-OPERATIVE FEDERATION OF VICTORIA LTD.

225 Swanston Street, Melbourne, Victoria 3000, Australia

Telephone: (03) 663 1674

Postal Address: G.P.O. Box 5211AA, Melbourne, Victoria 3001, Australia

TO: Ministerial Advisory Committee on Co-operation  
FROM: W. W. Rawlinson

---

## Some Proposals for Consideration by the Committee

### 1. CO-OPERATIVE AS DISTINCTIVE BUSINESS STRUCTURE

*Suggest the word 'Co-operative' be used as a noun rather than an adjective qualifying the words 'society' or 'company'.*

### 2. DEFINITION OF 'CO-OPERATIVE'

The Co-operation Act established that

*'a society may be formed for promoting the economic or social interests of its members...'*

but nowhere is a Co-operative defined.

*Suggest a Co-operative be defined as one which adheres to the internationally recognised Principles of Co-operation.*

### 3. PRINCIPLES OF CO-OPERATION

Principles 1 - 4 are written into the Co-operation Act, i.e.

Open Membership	-	Section 52(2)
Democratic Control	-	Section 111(3)
Limited Interest on Capital	-	Section 60(5)
Equitable Distribution of Surplus	-	Section 60(5)(6)

No legislative provision exists to require compliance with Principles 5 & 6.

*Suggest Co-operatives be required to allocate 0.5 per cent of surplus to Education Fund to be collected by the Registry and administered by the Co-operative Federation of Victoria in covering costs of regular professional education and training programmes for all levels of staff for directors and members.*

/2...

4. DEMOCRATIC CONTROL - DIRECTORS

- (1) Section 103(1) of the Act requires the number of directors of a Co-operative to be not less than three nor more than seven.

*Suggest the Act comes into line with the Companies (Victoria) Code and the Building Societies Act requiring the number of directors to be not less than three.*

- (2) Section 103(9) provides for one employee to be elected as Director. In the case of Employment Co-operatives this could be restrictive though the need for responsible control still applies.

*Suggest this be extended in case of employment/industrial Co-operatives.*

5. CAPITAL GAINS ON CO-OPERATIVE CAPITAL

The only financial return members receive from their Co-operative is from surplus achieved in any one year arising from the business of the Co-operative

by way of dividend on shares held by him

by way of bonus or rebate on his patronage

Share Capital is service capital not investment capital and does not appreciate in value. Co-operative members' return is expected to be from services of their Co-operative and rebates from support of the Co-operative. Reserves, collectively owned by members, are distributable only on winding up.

The effect of inflation on the assets of a Co-operative formed, say, 20 years ago is to grossly undervalue share values to

- (1) make the Co-operative an attractive take-over proposition;
- (2) penalise retiring shareholder members whose return share value is less than their proportionate equity in the assets;
- (3) give unfair advantage to incoming shareholder members to obtain cheap entitlement to assets in whose creation they have carried no risk.

*Suggest provision be made for creation of asset revaluation reserve from which bonus shares may be issued to qualified members.*

6. INDUSTRIAL CO-OPERATIVES

Currently Co-operative legislation does not cater for Co-operatives set up as Worker-based or Community-based operations to provide employment or for development of common ownership (worker equity) in business enterprise.

*Suggest a new Division be created in the  
Co-operation Act to meet this need.*

W. W. RAWLINSON

Melbourne

1st March, 1984